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A PERMANENT TARIFF AND EFFICIENT REVENUE SYSTEM.

ELASTIC AND ADJUSTABLE, PRECLUDING REVISION,
POLITICS AND TREASURY DEFICITS.

BY COL. WILLARD FRENCH

IT may safely be said that both the Congress and the country are heartily tired of tariff revision. The result of the months of work, the preceding popular agitation, the accompanying business stagnation, will be heralded from the stump in coming campaigns, from many different view-points; but whether we join with one to pronounce it an outrage and a farce—as most tariff revisions are, from some outlooks—or with another, to claim that through much tribulation the makers have entered the Kingdom of Heaven, with a tariff well done by good and faithful servants, fulfilling every campaign promise relied upon by the people who rolled up the Republican majorities, we shall all admit that business—the country—has suffered more from uncertainty, from frantic efforts to obtain or combat, from fear and stagnation, due to the tariff revision, than if it had passed through a panic—or a national election. We shall all agree that tariff revision—however the tariff is revised—is an outrage and an intolerable nuisance.

Better and better we comprehend that an effort to produce a bill which shall be, at once, a protective tariff and a tariff for revenue, must result in outrage to some, oppression to some, and antagonism from many; for in the nature of it, it cannot be otherwise. The two ends in view are so different that their aims are almost diametrically opposite. An effective protective tariff must reduce importation to the minimum—if it falls short of being absolutely prohibitive. A tariff for revenue must, on the contrary,

induce importation in order to be productive. The original design of a tariff, as authorized by the Constitution, was for revenue only. It is true that Alexander Hamilton's desire was to prevent the patronage of foreign productions, and make the United States produce all that it consumed; but the Constitution plainly authorizes a tariff for revenue, and nothing more. It has more than once been urged, and not without support, that a protective tariff—a tariff for protection—was unconstitutional. It is only by warping, more or less, the apparent intent of the general welfare clause, that a roundabout permission may be extracted; however, the Supreme Court has more than once indirectly admitted that protection in the tariff was allowable, and the practice of a hundred years renders constitutional objection futile. But the question is yet more effectively met by the forceful suggestion of Senator Sutherland, of the Judiciary, that of necessity the United States has the inherent rights of a sovereign nation, in dealing with other nations, wholly outside of the Constitution. We have the unquestionable right, and have exerted it, to prohibit certain products of foreign nations from coming into our ports at all. We have equal right to dictate upon what terms and conditions foreign products shall come, as the act of a Sovereign Nation; distinct from the delegated powers of the Federal Government in dealing with the States and the people of the States.

Protection began long ago, in the paternal effort to develop infant industries. It has grown with the industries. It has been a constantly increasing essential element. Equally the demands for increased revenue have grown, and more and more, with each tariff revision, injustice, oppression, discrimination, have been apparent and necessary, in efforts to combine in one bill the two conflicting interests.

If we were a nation with but a few possible industries, relying upon the importation of foreign products for many of the necessities and most of the luxuries of life, it would be possible to afford those industries ample protection for development and still derive sufficient revenue from foreign importation for all practical purposes of government. But when, in our infinite resources, we do—or can—produce everything which the brain of man can conceive or his body utilize, a bill which shall protect without discrimination and at the same time afford a revenue,

is a preposterous impossibility. The frantic effort which has just been made to accomplish this impossibility will probably cost the Republican party some of its strength at the next election—just as a tariff revision a few years ago cost the Democratic party more than it was able to pay. It will doubtless be shouted from the campaign rostrum, that the leaders of the party in power, in framing this bill, are guilty of all kinds of prejudiced purposes, and many will believe it. But whether it is true or false, it is an indisputable fact that in the whole history of tariff legislation there never was such an amount of work performed as stands to the credit of the framers of the present bill. It is absolutely true, and the public will realize it better and better with each succeeding effort, that no possible combination of men could frame a tariff bill to meet the conflicting interests in the United States to-day, and in the same bill realize a revenue adequate to the increasing demands upon the treasury.

With every lapse of years between tariff revisions the conflicting claims have made the task more difficult and the result more obnoxious, and that condition must continue and steadily increase till the limit is reached and we abandon the effort to combine in one tariff bill these two antagonistic measures.

The fact is apparent that our tariff system—like many of our great systems—is largely makeshift; the offspring of the mother of invention. It is a prop which was put under the nation when limited productions rendered it possible for protection to develop infant industries, without effecting the necessities of the Government. To-day both the industries and the necessities have reached a point where the effort, if it were not so serious, would be absurd. “Infant industries” is a term which has served its day and generation, and should have been pensioned and sent home long ago. The system of protection has established a standard of prosperity among the laboring classes unrivalled in the world, and one which this nation is and always will be bound to sustain. No industry, simply gauged by years or development, has outlived the right to proper protection from foreign competition—a right established by the conditions created under the system of protection. Neither should any new or immaterial industry which is capable of holding its own or expanding, be left without the same adequate protection. It is no longer a Republican doctrine. It is the doctrine of the United States. It

is the doctrine which has given the laborer of this country such stupendous advantage over his fellows everywhere else in the world—unless, perhaps, New Zealand, profiting by our blunders and improving on our experiments, might take issue along the same lines. It is the doctrine which results, to-day, in wages that are double and treble the wages paid for the same labor in Europe, and the resultant improvement in the mental, moral and physical condition of our laborers. Where the tariff has been manipulated to permit of exorbitant profits it has been wrong and oppressive, and by a practical and scientific tariff system such wrongs can be and must be righted. But the principle of protection is here to stay. No true American would see our laboring classes return to the conditions of Europe. The doctrine is the doctrine of the nation, and it will always be the doctrine of the nation as long as laboring classes exist.

We have laughed over the denomination of the tariff as a local issue, but it is a local issue. It is thousands of local issues. Every schedule in it is a local issue, and the thousands of issues combined make the national issue—only they do not combine. They conflict. They will continue to conflict as long as there is discrimination—just as long as protection fails of being a universal principle, consistently applied. And it cannot be universal while the necessity remains for extracting any material revenue—as compared with the colossal demands—from the same bill.

The principle of protection propounded by President Taft, is broad and comprehensive and just. It is one which would be accepted by the great majority of Democrats and Republicans, alike, if universally applied. It is the principle that the duty should measure the difference between the cost of a foreign product at our doors and the cost of the same product at home, with a fair profit allowed for the home producer. It is perfectly competent for Congress to establish that principle as the basis of all tariffs and to make it universally applicable. The result of such action would be the permanence of industry, the permanence of the present standard of prosperity of labor and security to every new industry capable of development in this country. A tariff based upon this principle could never discriminate or become oppressive to any consumer. By it, every article coming directly or indirectly from the soil and which can be reproduced, would receive adequate protection to encourage its production—

no more; no less. Every article manufactured, every product of the country, would receive the same protection. No more. No less. It would be absolutely guaranteed, without fear of tariff revision or complication through political revolution. It is very easily possible of accomplishment. A joint resolution by the Congress, to that effect, is all that is required.

During the debates of the extra session many hints were thrown out and some propositions openly advocated, aiming at a tariff bureau or commission, to perform the duties which would develop in at least approximating such a tariff condition. It would be unfortunate, however, if any of the theories as yet advanced should be adopted, for bureaus and commissions are fast becoming a curse to the country and it would be a pity to increase them. It is unnecessary and ought not to be. There need never again be a tariff revision, and under this system there never could be. The work would be constant, but never massed in mountains. It could easily be accomplished by legitimate committees of the Senate and the House. If the Congress has tariff experts capable of revising the entire tariff, with all its eccentricities and deviations, under the present erratic lack of system and impossible complications, in less than a year, it surely has material for standing committees to investigate the occasional applications for attention which it would receive. Such committees should be authorized to meet in joint session to consider evidence, whenever a hearing is asked, and hearings should always be possible to any who would develop a new industry and desired protection, to any where changed conditions rendered their protection inadequate, and to any who could bring evidence that one industry or another was over-protected and taking advantage of it to secure undue profits. After gathering all of the information possible upon the matter under consideration, it would be reported to the two houses, discussed and acted upon in the ordinary way, on the simple and established principle, resulting in an elastic and constantly adjustable tariff, applied to every industry alike and incapable of being brought into political issue or popular agitation. Only, it would preclude the possibility of deriving, through import duties, anything like the amount required by the Government to meet the demands upon the treasury.

Acknowledging our evident approach to this sometime cer-

tainty, many of our statesmen have admitted the possibility that the present tariff will fail to be a sufficient revenue-producer, and have suggested various means for meeting the prospective deficit. The inheritance tax, and other forms of taxation have been ably discussed, always with material objections and always with doubt as to how much they could be made to produce. The Senate has appointed a committee on the budget with a view to adjusting revenues and expenditures, and the leaders have earnestly declared their determination to inaugurate an era of rigid economy, to reduce the expenses of the Government to whatever point becomes necessary by the reduced revenues.

All this is practical wisdom in personal affairs, but strained economy is not an invariable blessing to a nation; neither will any material reduction ever be, for long, possible to a Congress which has already developed billion-dollar sessions, in keeping pace with the prosperity and progress of the nation. There are obvious ways in which comparatively small sums can be saved and ought to be saved, whether there is a surplus or a deficit in the treasury. There is not a Senator on the floor but knows of some preposterous appropriations, but if every foolish expenditure were eradicated the saving would not amount to \$20,000,000, while it is estimated that in the next fiscal year the deficit may reach \$160,000,000. The colossal expenses of our army and navy might attract some economist—especially if he realized that we, the ideal peace nation of the earth, are to-day expending upon war, past, present and future, more than seventy per cent. of our entire revenue; but as one of our wisest statesmen recently remarked, “The country is navy mad,” and no material reduction will be made in those appropriations. The efforts to enforce economy will be along other lines—lines where, to the minds of some, present economy means future detriment to the nation.

Economy for the individual is wise, whether constrained by necessity or not, for by it he safeguards the future. Economy for the Government, along lines of public works, where the economy will be practised if at all, to any appreciable effect, is penny wisdom and should not be tolerated. It will only result in impoverishing the future.

The nation is not poor, irrespective of the state of the treasury. The cry that we must live within our income, is a false cry, for the income is precisely what Congress decides to make it. It ought

not to be conceivable that "the greatest legislative body on the earth" can be composed of men who would wantonly, recklessly, waste the public money, and that being the case, exactly the opposite is true of the public family which is true of the private family; to wit, wise and proper expenditures should be the criterion; the *outgo* should regulate the *income*; in cutting the garment according to the cloth *expenditures* should be the *cloth*, and *receipts* the garment, cut accordingly. The claim that the tariff, revised to meet the demands, has reduced the revenue and that therefore the expenditures of the Government must be curtailed—except in cases of appropriations which ought never to have been made and ought to be curtailed, irrespective of the treasury—is the surest way in the world to retard the prosperity of the country many fold the amount saved by the economy. The necessity for the conservation of our natural resources is very great. The benefit of a gigantic system of inland waterways will be inestimable. Our rivers and harbors, if treated regardless of cost, would advance immeasurably the revenues of commercial interests. Our merchant marine has languished and died as the effect of national penuriousness. Public improvements are private blessings, incalculable. Millions upon millions ought to be expended by the Government, with a free hand, and that quickly, in restoring or creating every facility for development demanded by the present and the obvious requirements of the future. The nation was never so rich or so well able to make the expenditures as to-day, and every dollar expended means many times the amount in increase of values and the prosperity of the country; and will bring ample return in the increased earning capacity of home industries. To say that because we have voluntarily reduced our present source of income we must therefore forego all this, for virtuous economy's sake, is the twaddle of the nursery, and yet it is the talk of the Senate of the United States. All because tariff revision has at last reached a limit where it must be admitted that it is no longer possible to combine protection and revenue in the same bill, and because protection is proving the stronger claim of the two.

To patch up the difference, the inheritance tax, the private income tax, an inter-state commerce tax, national economy, a budget committee, etc., are suggested; all of them vexing, uncertain, inquisitorial, discriminating, and doubtful as to results

and, worst of all, all of them are but makeshift propositions, to temporarily support a makeshift tariff system. If the tariff system should be placed upon a perpetual, scientific basis, of universal and equitable application, the revenue therefrom would cease to be the criterion of the nation's ability to make necessary appropriations for the public welfare. It would become much like the revenue of the Post-Office, supporting the machinery of that department, with an immaterial surplus, in the case of the customs. Makeshift measures, producing a few uncertain millions, would no longer be adequate. It would necessitate and involve a practical, rational and scientific system of permanent and efficient taxation—which, like the stable tariff system, would prove a great blessing to the whole country. Such a system is not only possible but, from the distinct authority given to the Congress, in the welfare clause of the Constitution, to the conditions of to-day, and especially to the conditions which would exist under a permanent tariff for protection, everything suggests the direction of such a tax.

The necessity of a specific bond issue, for specific permanent improvements—not short-term loans, to bridge temporary deficits by another makeshift—following the general system of many of the nations of Europe, laying the greater part of the burden, of course, upon the future, which will receive the greater part of the benefit, is rational, though not upon the plan of pay-as-you-go, favored by our fathers, under very different conditions from the present—a legacy to which we cling as to a divine commission. The bond issue will some day be adopted, and will greatly relieve the heavy drain upon the present for the benefits it confers on posterity. But there will still remain the current expenses of Government which will constantly increase with the growth and prosperity of the nation, and which should be met by a permanent and efficient system of taxation. For this revenue the justice of reciprocity points to the protected industries of the country. They are the signal beneficiaries both of the sacrifice necessitated by the protective principle and of the progressive expenditures. Nor would the burden be a heavy one, even upon the pay-as-you-go policy of to-day and the present enormous revenues demanded. If every corporation and protected industry—of course excepting the retail purveyors of products to the people—were taxed upon its net income—which should be gauged by the amount

of its dividends, the amount of its surplus and the amounts paid in salaries that are in excess of \$5,000—a rate of between two and three cents on the dollar would, last year, have produced more money than the entire revenue from the customs, with the treasury deficit added. It would be the easiest possible tax to collect, the least open to fraud, the most reliable as to amount, and the tax most directly just, on principles of reciprocation. It would be a tax which would automatically increase with the growth of the country, responding at once to its increasing prosperity, thus keeping natural pace with the growing demands upon the Government. It is the only practical way to reach the dividends on the vast amount of American securities owned, or for sinister motives held abroad, and—which is really an important consideration—it would reach, effectively, without the possibility of fraud, in a very large proportion of its entire amount, the colossal fortunes which have been the objects of the income tax and inheritance tax propositions.

These various fortune-hunting tax theories which have been propounded as props to the present system, have generally carried an effort, for one reason or another, to exempt small fortunes from the tax; necessitating an inquisition, by the tax collector, into the private affairs of every citizen, for proof that his entire income did not reach four or five thousand dollars. With the proposed system the same end, if desirable, can be reached without inquisition, without the enormous expense to the Government and the eternal temptation to fraud, by the simple provision that any one holding securities subject to the tax, has but to prove, as an individual and at his own volition, that his entire income was less than the sum fixed, in order to receive from the Government a rebate of the amount which the corporation paid on his individual holding.

Such a universal tax would not only be automatic in its increase, but elastic, like the tariff; capable, any year, of a slight increase or decrease in rate, according to the demands upon the treasury; while the very conditions and nature of it, as with the tariff would place it wholly beyond autocratic, plutocratic or political chicanery; and neither the tariff nor the question of revenue could ever again disturb the stability of enterprise; forestalling the one cry which is sure to be made against the proposition, that relying upon corporations for revenue would result, in no time, in

placing the Government at the mercy of the corporate interests, to run it as they chose. How could they do it? What could they do with it? What would be the benefit they could derive? The revenues must necessarily meet the expenditures; and the tax, established by law, could not be discriminatory. But history itself is a better reply. A very large amount of the nation's revenue, to-day, is derived from the tax on liquor and tobacco. Those interests are seldom heard from in the course of legislation; but if there are interests in America which have attempted—or to any extent succeed in the attempt—to own and manipulate the Government, it is distinctly those which have received unlimited protection, through which they have obtained enormously undue profits, without affording the Government, in return, any material reciprocation whatsoever.

On the contrary, it is much more probable that with established, universal protection, and established, universal taxation, the "Interests" becoming, themselves, practically universal, would be the strongest supporters of good government and universal justice in all matters pertaining to the progress and prosperity of the nation.

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